STATEMENT OF RUSS CHEW, CHIEF OPERATING OFFICER, AIR TRAFFIC ORGANIZATION, FEDERAL AVIATION ADMINISTRATION, BEFORE THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITEE ON AVIATION, ON TRANSFORMING THE FAA: A REVIEW OF THE ATO

APRIL 7, 2005.

Chairman Mica, Congressman Costello, Members of the Subcommittee:

Thank you for this opportunity to talk about the Federal Aviation Administration's (FAA) Air Traffic Organization (ATO). This morning I will discuss the ATO's activities and achievements as well as the ongoing challenges we face as we continue our work to restructure the FAA's air traffic services.

I know I speak for Administrator Blakey and Secretary Mineta when I say we are proud to operate and maintain the largest and safest air traffic system in the world. Our employees safely orchestrate the takeoff, landing and routing of approximately 50,000 aircraft a day across U.S. controlled airspace. It is worth noting that last year commercial aviation achieved a remarkable safety record: the lowest airline fatal accident rate in the history of aviation. Both industry and government can take credit for the hard work that went into attaining this milestone and ensuring that the traveling public has the safest air transportation system possible.

Mr. Chairman, you and this Committee have focused on ways to make FAA more customer-oriented and efficient by providing us with the statutory authority to reform and streamline our activities. Last year, we began one of the largest reorganizations ever undertaken in government. The 36,000 member ATO workforce was realigned to become a more customer-focused, bottom-line business designed to respond to the needs of our customers and stakeholders and to improve our fiscal accountability. Just over a year ago, in February 2004, we began removing layers of management, reducing our executive ranks by 20 percent and reducing the number of high paid

non-executive positions by 9 percent. We also began streamlining administrative services and reducing overhead by consolidating work under one service unit rather than having it spread throughout the organization as it was prior to the ATO. Reducing overhead in the first year was primarily focused in Washington. We will continue to reduce overhead as we expand our efforts in the field.

There are now 10 operations and support service units that are accountable for achieving specified, measurable results. Basically, as I testified to you last year, we moved everyone in the ATO closer to the customer; those people using the system whether as a passenger or pilot. These changes are already resulting in positive trends and tangible accomplishments. Our unit cost is down and our productivity is up. For example, the FAA's average cost of controlling a single Instrument Flight Rule (IFR) flight fell $17 from $457 to $440 per flight as compared to 2003. In addition, we used the competitive sourcing opportunity outlined in the President's Management Agenda, more commonly referred to as the A-76 process, for the delivery of services now provided by our Automated Flight Service Stations. This was the largest public/private competition our government has ever attempted. As a result, we expect to save more than $2.2 billion over the next ten years.

As the year continued, we created financial baselines, ensuring that each of our individual service units would have cost accounting and labor distribution reports. We began a five-year strategic business planning process that incorporates both operational and financial commitments and is tied to the FAA's Flight Plan. Working with our employees and industry partners, we assessed the value of our core functions and activities in 2004 and will use that assessment to guide our investments in programs and services. By implementing the cost accounting and labor distribution reports I mentioned as well s a new financial management system, we have established a basis for an ATO cost-control program that identifies where costs can be managed

and reinvested to meet the strategic initiatives described in our 2005 business plan. This new approach to financial management will help us develop analytic tools to make management decisions based on sound business principles. Managing our costs enables us to manage our future. We must have the tools and the plans in place to accomplish this.

When it comes to the ATO's goals for a safe and reliable air traffic system, we must succeed. Much of the nation's economy depends on a safe, secure and reliable air transportation system. The ATO has set ambitious goals for increasing capacity in the system. Arrival and departure capacity at the 35 Operational Evolution Plan (OEP) airports has steadily increased since 2001. In fact, we set out to increase the number of daily arrivals at those top airports by 780 flights over last year's average but actually increased the daily arrival capacity by more than 1,035 arrivals per day.

Another significant accomplishment that is a tremendous boost to capacity occurred earlier this year when we implemented a procedure known as Reduced Vertical Separation Minimums (RVSM), which essentially doubles capacity at high altitudes. The procedure permits controllers to reduce minimum vertical separation at altitudes between 29,000 and 41,000 feet for aircraft that are equipped with dual altimeter systems and autopilots. Not only does this double the capacity options for controllers and pilots, but the higher altitude routes are more fuel efficient, so it is estimated that RVSM will save airlines over $5 billion through 2016, an estimate that may prove to be conservative if fuel prices remain high.

Finally, we must make sure we are using the best technology to maintain a safe and efficient air traffic system. Jeff Shane's testimony addresses our next generation system, but one example of what we are doing today is the Wide Area Augmentation System called WAAS. WAAS is a

precise navigation system that provides the accuracy and reliability necessary for pilots to rely on the Global Positioning System during flight. Because the system is satellite-based, WAAS costs us a lot less to maintain than traditional ground-based navigation systems. Plus WAAS can be made available at numerous airports without ground-based systems, opening up more runways, which ultimately increases capacity. Since WAAS became operational in July 2003, the FAA has developed 3,000 WAAS approaches. Industry surveys predict that as many as 20,000 certified WAAS receivers will be in aircraft by the end of this year. This is a significant accomplishment in modernizing how we use our airspace and one that will have lasting, positive affects on capacity.

I would also like to note that many FAA employees, including those in the ATO, must be commended for putting their personal safety and comfort at risk in order to help establish air traffic control and aviation safety systems, procedures, and oversight in the war torn countries of Afghanistan and Iraq. Their important work, largely unheralded, is essential to the success of these fledgling democracies. When asked to help, they answered and, as a result, these countries are receiving critical assistance from the foremost aviation safety experts in the world. The Department of Transportation, the FAA and I, personally, am very proud of these extraordinary individuals.

Along with our successes in this first year, we faced a number of challenges. As the 11,000 controllers hired after the strike in 1981 become eligible to retire, it was imperative that the ATO find a way to meet the demand for controllers without straining the hiring and training pipelines. We developed the Air Traffic Controller Workforce Plan and delivered the plan to Congress in December 2004. This plan lays out cost-saving mechanisms that will allow the ATO to reduce previous staffing projections by 10 percent over the next five years. Full implementation of the

plan is underway and it will enable us to have the right people in the right places at the right time.

Obviously, other significant challenges lie ahead. For example, we will enter into negotiations with two of our bargaining units this year. But with our labor costs accounting for almost 80 percent of our operating costs, we also must reach an equitable agreement that ensures financial solvency and corporate efficiency on all sides.

Another significant challenge we face is the fact that the nation's $30 billion inventory of air traffic control facilities and equipment is aging and deteriorating. The average condition of the FAA's en route centers is poor and is getting worse each year. The maintenance and repair backlog for these 21 facilities alone is about $118 million, a combination of repairs not made in the past, and the projected repairs needed in the current year. At some point we are going to have to replace them.

These challenges make it critical for us to change "business-as-usual" operating practices. We must make some fundamental changes. We need a revenue stream based both on our costs and on our actual units of production. And we need the right incentives in place to remain efficient.

Our biggest challenge will be to ensure that the ATO is as streamlined and efficient as possible in order to justify supporting our essential operating and capital costs as they compete with other important programs for limited fiscal resources. The ATO must deliver the safest, most efficient, cost-effective, and well managed services in order to serve our customers and stakeholders. Air traffic in this country is dynamic and the ATO must be able to adapt to future demands seamlessly and effectively without compromising safety.

The structural changes we have made and the management tools we have put in place in the last year will help us be more accountable and help you better understand those areas on which you want to focus your oversight responsibilities. Hopefully, in the upcoming years, I will be able to describe to you how these tools have helped us measure our success, prioritize our investments, and become a better, smarter, safer organization.

I am proud of the work we have done in the last year and I am even more confident in the direction we are headed. As we progress in our transformation, we intend to retain our global leadership in delivering air traffic services, by providing the greatest value to our customers, owners, and employees. We are very cognizant of the fact that we are part of a much broader team of people in government and industry that all of us are working toward keeping the most complex airspace in the world, the safest and most efficient in the world. We will work with Congress to determine the best methods for meeting the challenges facing the future of air traffic. I am grateful for the opportunity to be in a position to play a role at a time when meeting the challenges facing us will make such a difference to the future of aviation. There is hard work and tough choices before us, and I am confident that together we will do what needs to be done.

This concludes my prepared statement. I will be happy to answer any questions at this time.